

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1169-01
Bill No.: HB 427
Subject: Education, Elementary and Secondary: Teachers
Type: Original
Date: March 20, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(\$0 to \$31,027,000)	(\$0 to \$17,303,750)
Excellence in Education	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$0 to \$31,027,000)	(\$0 to \$17,303,750)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
School Districts	\$0	(\$0 to \$5,694,700)	(\$0 to \$3,178,010)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the State Board of Education could require as many as 6 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$369 for FY 2002. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

The Joint Committee on Public Employee Retirement (JCP) has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials of the **Department of Elementary and Secondary Education** provided estimates of salary supplement which would have been required had the proposal been in effect for the 2000-01 school year.

Baccalaureate

0-5 yrs	\$25,000	\$9,413,270	(5,088 FTE)
6-19 yrs	\$30,000	\$15,168,703	(5,552 FTE)
greater than 19 yrs	\$35,000	\$9,464,661	(2,267 FTE)

Masters or equivalent

greater than 10 yrs	\$35,000	\$7,269,512	(2,167 FTE)
greater than 19 yrs	\$40,000	\$11,823,965	(1,083 FTE)
greater than 29 yrs	\$45,000	\$3,541,418	(517 FTE)

Total State Supplements would have been \$56,681,529.

Approximate local costs would have been \$522,000,000

2001-02 School Year Estimate

GVB:LR:OD (12/00)

ASSUMPTION (continued)

Assuming average increases in teachers' salaries of 2.5% per year, then the cost to school districts would increase about \$13,000,000 and the state supplement would decrease a similar amount, to about \$44,000,000.

2002-03 School Year Estimate

Assuming average increases in teachers' salaries of 2.5% per year, then the cost to school districts would increase about \$13,000,000 and the state supplement would decrease a similar amount, to about \$31,000,000.

2003-04 School Year Estimate

Assuming average increases in teachers' salaries of 2.5% per year, then the cost to school districts would increase about \$13,700,000 and the state supplement would decrease a similar amount, to about \$17,300,000.

It should be noted that actual dollars needed for all years beyond 2000-01 would change because:

- a) the number of teachers in each bracket will change due to retirements and resignations;
- b) teachers gaining additional experience will qualify for different brackets;
- c) replacement teachers may be in different brackets from the teachers replaced; and
- d) individual school boards may agree to increase salaries more or less than the assumed 2.5% per year, which would affect the state salary supplement.

Proposed 163.172.6 seems to make participation in the minimum salary levels (and the state supplements) optional. Increases Public School Retirement System contributions would be a local cost:

FY 2001	$\$57,000,000 \times .105 = \$5,985,000$
FY 2002	$\$44,000,000 \times .105 = \$4,620,000$
FY 2003	$\$31,000,000 \times .105 = \$3,255,000$
FY 2004	$\$17,300,000 \times .105 = \$1,816,500$

A condition for receiving the state supplement is that school boards give new employees (teachers) of the district credit for previous years of public school teaching experience. Currently, school boards set policy on the amount of previous experience which would be granted.

DES officials assume the increase in minimum salary requirements would not increase the Career Ladder cost. However, the Career Ladder supplement a teacher may receive cannot be

ASSUMPTION (continued)

used to meet the minimum salary requirement for that teacher.

Officials also noted that there could be other costs incurred by school districts to qualify for the minimum salary supplement.

A program would need to be written to identify the teachers in each category, the amount of salary supplement required, and the eligibility criteria for receiving the money. Therefore, DESE would incur an IT impact estimated to be \$25,000 in its first year, and 15% estimated maintenance costs for FY 2003 and 2004. Additionally, OIT requires an 8% project development fee for the first year.

The **Oversight Division** calculated fringe benefits at 18.37% to include retirement, FICA, unemployment and worker's compensation on the salary increases. Therefore, school districts' cost for fringe benefits would have been $\$57,000,000 \times .1837 = \$10,470,900$ had the proposal been in effect in FY 2001. Oversight included the net salary increase due to this proposal as an annual cost to school districts beginning in the 2002-03 school year. Costs are ranged because districts do not have to participate in the program.

Oversight notes that the proposal allows appropriation of increased lottery and gaming proceeds compared to FY 2001 to fund the proposal or appropriations from any other funds. For purposes of this fiscal note, it is assumed that General Revenue funds would be used to fund the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost</u> - Department of Elementary and Secondary Education			
Expense and Equipment	\$0	(\$27,000)	(\$3,750)
<u>Cost</u> - Transfers to Excellence in Education Fund	\$0	(\$0 to \$31,000,000)	(\$0 to \$17,300,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$27,000 to \$31,027,000)</u>	<u>(\$3,750 to \$17,303,750)</u>
EXCELLENCE IN EDUCATION FUND			
<u>Income</u> - Transfers from General Revenue Fund	\$0	\$0 to \$31,000,000	\$0 to \$17,300,000
<u>Cost</u> - Distributions to School Districts	\$0	(\$0 to \$31,000,000)	(\$0 to \$17,300,000)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
ESTIMATED NET EFFECT ON EXCELLENCE IN EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2002 (10 Mo.)	 FY 2003	 FY 2004
SCHOOL DISTRICTS			
<u>Income</u> - Aid from Excellence in Education Fund	\$0	\$0 to \$31,000,000	\$0 to \$17,300,000
<u>Cost</u> - Increased Salaries	\$0	(\$0 to \$31,000,000)	(\$0 to \$17,300,000)
<u>Cost</u> - Fringe Benefits	\$0	(\$0 to \$5,694,700)	(\$0 to \$3,178,010)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>(\$0 to \$5,694,700)</u>	<u>(\$0 to \$3,178,010)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The Commissioner of Education would present to the General Assembly a history of the cost to the state for teachers' minimum salary.

Beginning with the 2002-2003 school year, for districts choosing to participate in the program, the minimum salary for a full-time teacher would be at least \$25,000, for a full-time teacher with at least five years experience - \$30,000, for a full-time teacher with nineteen years experience or a full-time teacher with a master's degree and ten years experience - \$35,000, for a full-time teacher with a master's degree and at least nineteen years experience - \$40,000, and the minimum salary for a full-time teacher with a master's degree and at least twenty-nine years experience - \$45,000.

State minimum salary supplements would be paid to school districts from the Excellence in Education Fund.

State minimum salary supplements paid to school districts from the Excellence in Education Fund could be funded from increases in state revenues from taxation of riverboat gaming

DESCRIPTION (continued)

operations, including boarding fees and lottery proceeds, compared to these revenues appropriated in FY 2001 and from any other funds appropriated for that purpose.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. The proposal would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Secretary of State
Joint Committee on Public Employee Retirement

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
March 20, 2001